

VT Downing Unique Opportunities Fund



February 2022 Commentary

February saw a continuation of the earlier worries about inflation and rising interest rates for much of the month, with investors choosing to seek safety in larger capitalisation names. On 24 February everything changed, with the outbreak of war in Europe. Never did I expect to have to write those words. It is a sobering time. Overall, the price of DUO Accumulation units fell by 5.5% in February, from 160.91p to 152.04p.

At a time of such great insecurity, our investments are characterised by high profit margins, low capital intensity, and 26 investments had net cash at their last balance sheet date. As a former colleague used to say to me, "cash is cash and the rest is opinion". Cash is being deployed for share buybacks by Alfa Financial, Auto Trader, Dunelm and Rightmove, and more companies will likely be added to this list once the current results season is through.

In February there were 24 fallers, of which 8 were double digit percentage declines. Few of these could be attributed to specific announcements although XP Power is still experiencing tightness in component supply and Tristel decided to discontinue some product lines. Unsurprisingly, the best performance in February came from our defence sector holding in Chemring, supplier of countermeasures and highly sophisticated cybersecurity and electronic warfare capabilities. Our investments selling into the healthcare industry, including companies supplying software and "picks and shovels" to enable health providers to function, account for about 14% of the fund and should be defensive. Equally, our investments in consumer facing businesses are few and not generally "big ticket", which is as well, since consumers will face a sharp squeeze from rising fuel and food prices this year.

In the near term, markets may not appear to discriminate because there will be waves of selling, affecting some companies more than others, but market panics create opportunities to accumulate quality investments at attractive valuations.

Opinions expressed represent the views of the fund manager at the time of publication, are subject to change, and should not be interpreted as investment advice.

About the fund

The fund aims to have a portfolio of 25-40 holdings. As fund manager, Rosemary seeks to invest in equities she considers to have a unique outlook and opportunity for growth. These businesses will be identified as having sustainable competitive advantages that are difficult to replicate, which can create high barriers for new entrants and have the potential to generate superior returns over the long term.

Investment Objective

The fund's objective is to achieve capital growth and income over the long term (5+ years). It seeks to invest at least 80% in equities listed on UK markets (including the London Stock Exchange, AIM, and the ICAP Securities and Derivatives Exchange (ISDX)). The remainder will be invested in other equities, fixed income, money market instruments, deposits, warrants, cash and near cash.

The unique characteristics sought include:

- » having intangible assets e.g. brands, patents or regulatory licenses
- » having cost advantages stemming from process, location, scale or access to a unique asset
- » being the leading network in a business segment
- » there being high switching costs, which generate high customer retention rates

	Cumulative performance (%)					
	1m	3m	6m	YTD	1y	Since Launch*
VT DUO A Acc	-5.51	-13.37	-17.66	-15.89	1.95	52.04
IA UK All Companies TR Index	-2.85	-2.22	-6.13	-6.40	7.60	46.45
Quartile Ranking	4	4	4	4	4	1

*25 March 2020

Discrete performance (%)	
	28/02/2021 - 28/02/2022
VT DUO A Acc	1.95
IA UK All Companies TR Index	7.60
Quartile Ranking	4

Please note that past performance is not a reliable indicator of future performance.



Fund Manager
Rosemary Banyard

Rosemary began her career with James Capel & Co where she was a senior investment analyst for 12 years. She rose to prominence and developed a reputation as a leading female fund manager in the UK after joining Schroders in 1997.

Rosemary spent nearly 20 years at Schroders and was for many years lead manager of the award-winning¹ Schroder UK Mid Cap Fund Plc as well as heading up several other UK equity mandates, managing total assets of circa £1 billion.

The Schroder UK Mid Cap Trust returned 17%² p.a. while Rosemary was manager and in her two and a half years (to June 2019) managing money at Sanford DeLand the CFP SDL Free Spirit Fund returned 31%³, placing it in the top decile of the IA UK All Companies sector.

Rosemary joined Downing in March 2020 to launch the **VT Downing Unique Opportunities Fund (DUO)**.

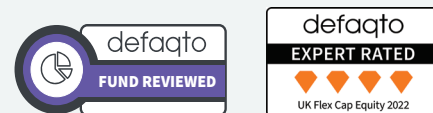
¹ Investment Week - Best UK Growth Trust 2013 & 2014. Outstanding Industry Contribution Award 2015 - 1st May 2003 - 31st March 2016. (Lead manager)

² Schroder UK Mid Cap Fund Plc Annual Reports & Accounts 2015. Rosemary was lead manager of this fund from 01/05/03 to 31/03/16

³ Financial Express 03/01/17 - 28/06/19



Awarded 30 June 2020.



Rosemary's fund is 4 Diamond rated, defaqto 2022.



As at February 2022.



Awarded August 2020.

Portfolio summary

As at 28 February 2022

Top 10 holdings

	% of fund
Chemring Group Plc	4.55
Rightmove Plc	3.70
Auto Trader Group Plc	3.61
Advanced Medical Solutions Group Plc	3.53
Alfa Financial Software Holdings Plc	3.53
A.G.Barr Plc	3.49
EMIS Group Plc	3.49
4imprint Group Plc	3.48
Elementis Plc	3.44
Tatton Asset Management Ltd.	3.31

Source: Valu-Trac Investment Management Ltd.

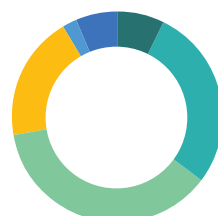
Portfolio by sector



6.23%	Cash	17.61%	Healthcare
12.88%	Communications	13.28%	Industrials
7.75%	Consumer discretionary	20.81%	Information technology
3.49%	Consumer staples	6.13%	Materials
11.82%	Financials		

Source: Valu-Trac Investment Management

Portfolio by company size



Market cap band	Percentage
> £5bn	7.31%
£1bn - £5bn	28.12%
£500m - £1bn	36.98%
£200m - £500m	19.05%
< £200m	2.31%
Cash	6.23%

Source: Factset

Key facts As at 28 February 2022

Structure

London listed Open Ended Investment Company (OEIC), established as a "UCITS scheme".

Launch date

Income: 17 March 2020
Accumulation: 25 March 2020

Fund Size

£44.20m (Accumulation and Income share classes combined)

Share price

Class A: 152.0436p (Acc.)
Class A: 151.9814p (Inc.)

No of holdings

33

Minimum initial investment

Class A Lump sum: £1,000

Dividends

Semi-annual

Liquidity

Daily pricing and daily dealing

ISA Eligible: Yes

www.downingunique.co.uk

*Please note: *The ongoing charges figure is based on expenses and the net asset value as at 31 December 2021. This figure may vary from year to year. It excludes portfolio transaction costs. The Funds annual report for each financial year will include detail on the exact charges made.

The Investment Manager of the fund has undertaken to absorb any costs that would otherwise cause the fund to have ongoing charges in excess of 1%.

Sector

IA All Companies Sector

ISIN Codes:

Class A Accumulation: GB00BHNC2614
Class A Income: GB00BHNC2721

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Fund charges

Initial charge: 0%
Annual management charge:
0.75% p.a.
Ongoing charges*
0.86% p.a.

Distributions

Period end	Ex Dividend	Payment Date	A Acc (GBp)	A Inc (GBp)
Dec-20	31/12/2020	26/02/2021	1.2835	1.3126
Jun-21	30/06/2021	31/08/2021	0.8922	0.9041
Dec-21	31/12/2021	28/02/2022	1.5653	1.5782

Distributions are subject to change and should not be utilised as a basis for an investment decision.

How to apply:

Telephone: +44 (0) 1343 880 217 or visit:
<https://www.valu-trac.com/administration-services/clients/downing/unique-opportunities/>
Also on the following platforms:

7IM	Hubwise
Aegon	Interactive Investor
AJ Bell	James Hay
Allfunds	M&G
Aviva	Nucleus
Canada Life	Quilter
International	Raymond James
Elevate	Standard Life Wrap
Embark	Transact
FNZ	Utmost
Hargreaves Lansdown	Zurich

We are currently working with other platforms so please let us know if yours is not listed above.

Risk warning: Your capital is at risk. Investments into this fund should be held for the long term (5+ years). The value of your investment and income derived from it can fall as well as rise and investors may not get back the full amount invested. This fund has a small and mid-cap bias. Investments in smaller companies are generally higher risk compared to investments in blue chip companies. The fund does not have any particular industry or economic sector focus and as such weightings in these may vary as required and investments may be in the same sectors. Past performance is not a guide to future returns. Please refer to the latest full Prospectus and KIID before investing; your attention is drawn to the risk, fees and taxation factors contained therein.

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